

Memorandum

To: Panel Members Date: December 19, 2002

From: Creighton Chan, Manager
Peter DeMauro, General Counsel Analyst: D. Woodside

Subject: One-Step Agreement for **Inland Paperboard & Packaging, Inc.**
(www.myinland.com)

CONTRACTOR:

- Training Project Profile: Retraining companies with out-of-state competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce
Moving to a High Performance Workplace
Developed Jointly by Management and Workers
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 10,300
 - In California: 1,400
- Fringe Benefits: Yes
- Union Representation: Yes
- Name and Local Number of Union representing workers to be Trained: Paper, Allied-Industrial, Chemical and Energy Workers
International Union (PACE), AFL-CIO, Local 8-819

CONTRACT:

- Program Costs: \$83,200
- Substantial Contribution: \$0
- Total ETP Funding: \$83,200
- In-Kind Contribution: \$112,128
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Santa Clara
- Duration of Agreement: 24 months

SUBCONTRACTORS:

Comp USA (San Jose, California) for a total amount to be determined for Computer Skills training; and New Horizons Computer Learning Center (Santa Cruz, California) for a total amount to be determined for Computer Skills training.

THIRD PARTY SERVICES:

California Manufacturers & Technology Association (CMTA) Service Corporation (Sacramento, California) helped prepare the application documents at no charge to the Contractor.

NARRATIVE:

This project was developed through the marketing efforts of CMTA. In accordance with Title 22, California Code of Regulations Section 4416(b), Inland Paperboard & Packaging, Inc., is eligible for ETP funding because it is a manufacturer.

Inland Paperboard and Packaging, Inc., located in Gilroy, California, produces corrugated containers for the agriculture industry in the Salinas, Monterey, Watsonville, and San Joaquin Valleys. Formerly known as the Gaylord Container Corporation, in April 2002, the company was purchased by the Temple-Inland Company. Inland Paperboard and Packaging designs, markets, and manufactures a variety of boxes depending upon the specific storage requirements for the fruit or produce. For instance, refrigerated product is boxed in containers covered in wax to prevent product spoilage. Major customers include Fresh Express, Vegetable Grower's Supply, and Cypress Packaging. The plant currently employs 175 Californians on a full-time basis and runs its 271,000 square foot facility 24 hours a day, 5-6 days a week.

Since the plant was constructed in 1967, boxes have been produced the same way with minimal automation. Changes are made to the production process based on experience rather than statistical analysis. The Gilroy plant is now moving to a high performance workplace by implementing a new computer system and retraining program that is designed to enhance employees' skills, improve product quality, reduce scrap in the production process, and lower production costs. As competition from facilities in Mexico and other offshore box manufacturers is increasing, these changes will enable the Gilroy facility to remain competitive. The company is requesting ETP funds to retrain 160 frontline workers in four types of training that supplement the company's ongoing training efforts.

Computer Skills: Inland Paperboard and Packaging is instituting a new computer system called the Integrated Packaged Point Solutions or IPPS, which will link and monitor all equipment, purchasing, inventory, and scheduling departments into one integrated system for the first time. Every employee must be trained to operate this system in order to fully realize its benefits. The company has also determined that employees need to be trained on updated software programs such as Microsoft Office in order to improve communications throughout the company. Until now, the Gilroy facility has used a 10-year-old computer communication system called Harry Rhodes and has used Lotus notes for its documentation needs. Such a system is no longer capable of meeting the company's communication, spreadsheet, and word processing requirements. All of the computer applications included in the ETP-funded curriculum are far more advanced than anything used in the past.

NARRATIVE: (continued)

Continuous Improvement Skills: Inland Paperboard and Packaging must train all employees on a variety of continuous improvement skills in support of Inland's new quality initiative called IQP 9000. This training, which includes statistical process control, problem-solving, and decision-making techniques, will assist all team members to understand and to use the new computer system and statistical analysis to develop process improvements based on data analysis. In order to make appropriate decisions and implement them, each employee must understand the entire production process, recognizing inefficiencies in the production system, and must be able to make decisions to improve current methods and procedures. Employees will be asked to work in teams to help solve departmental problems and must learn skills to work effectively in the team environment.

Manufacturing Skills: Inland will also be implementing training that ensures that production staff and leads are using production equipment to capacity. While the major focus of the ETP-funded training program will be on continuous improvement skills training, a portion of the training will be to retrain employees on improved production techniques and new equipment. This training will give employees additional skills in equipment troubleshooting and maintenance, which exceed the skills learned during the initial two-day New Employee Orientation followed by on-the-job training.

Management Skills training will be provided to supervisors and leads to assist their departments adapt to the high performance workplace. Training will include communications skills, conflict management, leading high performance teams, decision-making and motivation techniques.

No structured, on-site training will be funded under this Agreement. The company will conduct its own administration.

The Paper, Allied-Industrial, Chemical and Energy Workers International Union (PACE), AFL-CIO, Local 8-819 has provided a letter indicating its support of the training program outlined in this Agreement. PACE represents all 129 production staff included in the Agreement. The union representative will be asked by the company representative to review each course as it is customized and the details are developed. This feedback will be used to revise or add training topics which the union recommends.

Supplemental Nature of Training

ETP-funded training will enable Inland Paperboard and Packaging to provide classroom training for the first time outside of the orientation sessions it conducts when a person is first hired. For instance, when Inland installed its old computer software and Lotus programs, it provided a one-day training session and relied primarily on the employees to learn the computer systems on-the-job. Manufacturing skills training has been limited to how to do a job and to operate equipment properly using job shadowing and on-the-job training. The proposed ETP training, which provides extensive and customized classroom/laboratory training hours to the entire workforce, will be conducted at the Gilroy facility. Those employees not included in the company's funding request, including managers, executives and part-time employees will be trained at the company's expense.

Based on the results of the ETP-funded training program, Inland plans to devise a second company-wide training program that will continue to implement the new Continuous Improvement System as a commitment to a formal ongoing training program. In the two years following the ETP-funded

NARRATIVE: (continued)

training, Inland Paperboard and Packaging expects its training expenditures to be at least \$54,000 per year.

In-Kind Contribution

Inland Paperboard & Packaging, Inc., will defray \$112,128 in wages paid to ETP trainees while they attend training.

COMMENTS:

All participants, including the eight supervisors, meet the Panel definition of frontline worker under Title 22 California Code of Regulations, Section 4400 (ee).

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement if funds are available and the project meets Panel priorities. This recommendation is based upon the company's stated goal to increase quality in its manufacturing operations, enhance productivity, and improve its competitiveness. The high performance workforce retraining outlined in this agreement will also contribute to the long-term job security of the company's workforce at its Gilroy plant and give frontline workers skills in demand throughout the manufacturing industry.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job Number 1 Retrainees	Menu Curriculum: Manufacturing Skills Continuous Improvement Computer Skills Management Skills	160	40	0	0	\$520	\$12.00 – \$39.00
					<u>Range of Hourly Wages</u> \$12.00 - \$39.00		
					<u>Prevalent Hourly Wage</u> \$17.52		
					<u>Average Cost per Trainee</u> \$520		
<u>Health Benefit used to meet ETP minimum wage:</u> N/A					<u>Turnover Rate</u> 2.8%	<u>% of Mgrs & Supervisors to be trained:</u> 0%	

Inland Paperboard and Packaging, Inc.
MENU CURRICULUM

Class/Lab
HOURS

COURSE TITLE AND DESCRIPTION

40

- I. Continuous Improvement Skills
 - A. Statistical Process Controls
 - B. Communication Skills
 - C. Problem Solving
 - D. Team Building
 - E. Quality Control
 - F. Decision Making
 - G. Process Improvement
 - H. Positive Leadership for Frontline Workers
 - I. Team Leader/Teaming Skills
- II. Computer Skills
 - A. Microsoft Office 2000
 - B. Integrated Packaged Point Solutions or IPPS Computer System
- III. Management Skills (for Leads and Supervisors Only)
 - A. Conflict Management
 - B. Communication Skills
 - C. Leading High Performance Teams
 - D. Decision Making
 - E. Motivating Employees
- IV. Manufacturing Skills for New Equipment
 - A. Operating Procedures
 - B. Operate New Production Equipment
 - C. Equipment Maintenance of New Equipment
 - D. Trouble Shooting of New Equipment
 - E. Resolving Production Problems
 - F. Equipment Operations